App.F.IX-4

1926.7.

File No. G.F. 48-26

(G.F.)

Serial Nos. 163.

Previous References
G.F. 41-16-3, 5 + 11.
G.F. 232-16-1, 2, 4 + 5.
G.F. 158-19-3 + 4.
G.F. 10-25-122.

Later references
G.F. 96-22-122.
G.F. 233-24-122.
G.F. 288-24-164.
Kily 289-24-165.

Later Ref
G.F. 216 45(1-2)

GENERAL AND REVENUE SECRETARIAT.

Later Reference
G.F. 116-26-122.

Serial Nos. Three

G.F. 98-32(1-3)
G.F. 180-32-1

Part B for August 1926

SUBJECT

Reduction of the rates of interest allowed on the Savings Bank, Provident Fund and other interest bearing deposits.

Secs. to The Compiler, Mysore (Govt.)
No. R 1337 dated 17.8.26.

Directs that with effect from 1st Sept. 1926 & until further orders the following rates of interest be allowed on deposits in the Mysore Savings Bank

(1) 3 1/8 % per annum as at present on all current deposits which remain in the Savings Bank for less than a year.

P.J.

2) 4½ % per annum on deposits which at present are kept for a whole financial year.

Sheet 2. To The Compiler, Mysore Gazette

No FC 1339 Dt 17.8.26

Directs that after the expiry of six months from 1st Sept 1926 i.e. from 1st March 1927 the rate of interest on subscriptions to the State Promissory Loans be reduced from 5½ % to 5 % per annum

Sheet 3. To The Comptroller to Govt

The Presidents of District Boards

No FC 1340-8 Dt 17.8.26

Directs that the interest on Railway Cess and other deposits of Local Bodies which now carry a rate of interest at 5 % per annum be reduced to 4 ½ % with effect from 1st Sept 1926

AP
17/8/26

1039

REPLY

(*To be written on this margin.*)

DIARY NO. 343

19 — 19

Section.

OFFICE OF THE SECOND MEMBER OF COUNCIL.

No. M.49.

NOTE

Mysore, *Dated* 21st June *1926*.

We may review the existing position in respect of ~~the~~ rates of interest we now allow on the different kinds of interest-bearing deposits received by Government and take prompt action for effecting whatever reduction the present and prospective conditions of the money market justify.

Financial Secretary
with compliments.

21/6/26

Mr. Sundaram -
Let me have a
note at once
Bring up - K

A580

SECRETARIAT NOTES.

Subject

G. R. S. III-21

General and Revenue Secretariat. | File No. of 19

2

Fl. U. O.

Serial No.

The connected files received from Head-Quarters are put up. The existing rates and the year from which they are paid are noted below:—

Fund	Rate of Interest	Year
✓ Provident Fund	5 1/2	1920.
✓ Insurance	5	1923
A Savings Bank	3 % on monthly minimum, 4 % on 6 monthly minima 5 % on annual balances	

X

A The Govt. of India allow only 3 % on Savings Bank Deposits. The file may be forwarded N.O. to the Comptroller for his opinion as to the probable reduction in the rate that may safely be made.

6 8
2 H 6

A. Please put up the P. O. Cash Certificate - terms -

B - The Complication office may be pleased to send up the file re Provident Fund - rate of interest -

C. What are the rates of interest on Military Funds - Cavalry Remount Funds - (By an order of 1925 the rate is said to have been raised 4-5-4 pc) -

Interest - Lapsing deposits -

Endowments - Put up Cash Certificate

NOTE—Contn. sheet.

WD 01264—GPB—40,000—17-12-25

Serial No

Reference. Members minute.

The various funds on which we are paying interest, the rates of interest we are paying and the orders of Government regulating the payment are noted in the statement placed below got prepared in the Comptroller's Office.

The Balances at credit of these funds at the beginning of the official year for the last three years is also furnished in the statement.

The question now is whether in view of the generally tendency in the Money Market and the fall in the Bank rate of interest and interest offerred by the Government of India for their securities the rates of interest allowed on the balances at credit of these funds and deposits should not be reduced.

From column 7 of the enclosed statement it is seen that in the case of the following funds no reduction can be effected in the rates of interest allowed as Government have fixed the period for which the present rate of interest is payable.

K

I Endowment Funds. 5% for two years from 29-7-25 vide G.O.No.Fl.559-622/G.F. 10-25-2 dated 29-7-25.

2. State Life Insurance Fund:

U

from 1st July 25

Interest at 3½% on balance of fund on 1-7-1917 and on all additions to it at 5% for two years from 18-4-25 vide G.O.No.Fl.5709-10/G.F.233-24-2 dated 18-4-25.

With regard to the funds noted in the margin the rate of 5 per cent has been fixed until further orders. The rate is apparently determined by the maximum rate allowed on Saving Banks Deposits and

Tumkur District Board Railway Cess Deposits
Deposits of the Shimoga District Board Railway Loan
Deposits of Chitaldrug Municipal Water Supply loan.

NOTE— Contn. Sheet

Serial No

therefore presumably any change in the rate allowed to Saving Bank Deposits should affect these also.

Proposals are submitted below for reducing the maximum rate for balances in Saving Banks Deposits and the orders passed there on may be given effect to in these cases also. In the case of Chitaldrug wate supply loan this question may not arise ~~also~~ at all since orders have recently issued regarding the undertakin of the work very early.

With regard to Provident Funds interest is being paid on the following Provident Funds, at 5½%,

1. State Provident Fund
2. State Railway Provident Fund
3. Infantry Retiring Fund
4. Cavalry Recovery Fund
5. Education
6. Electrical

Sanctal oil factory + Industries - P.A ?
L

3 and 4 have been merged into the new head Military Provident Fund rate and in this case also 5½ per cent is allowed on the balances. In the case of these funds also Government have reserved powers of altering the rate of interest subject to 6 months notice.

On an enquiry made whether the Government of India have reduced the rate of interest allowed to their Provident Fund Deposits it is ascertained that no such reduction has been made (Vide Linked file) But it is not likely that the Government of India will continue indefinitely paying this high rate of interest on their Provident Fund balances when the General rate of interest has gone down and in this view we may perhaps notify our intention of reducing the rates ~~on the 6 months~~ by giving the prescribed

NOTE— Contn. Sheet

Serial No

V

6 months notice for all these funds vide G.O.No.Fl. 6020-69/G.F.158-19-4, ~~xxx~~ dated 20th March1920 (Flag V).

Saving Bank Deposits.

The next item and the largest item ~~of which~~ for consideration is the reduction of interest on Saving Banks Deposits. At present there are three different rates of interest, namely, 3 1/8 per cent 4 per cent and 5 per cent allowed on monthly, half yearly and yearly minimum Balances. The existance - - - of these three rates of interest has given a lot of trouble to the Comptroller (Vide Comptrollers D.O.dated 29th June 1926) The first change in the direction of reducing the rate of interest may be: towards having only two rates (1) for monthly minimum balances and (2) for the annual minimum balances, ~~and abolishing~~ the special rate for half yearly balances. The present monthly minimum Balance rate is 3 1/8 per cent. The Post Office Saving Bank rate is3 per cent and still continues as such and it is, therefore not desirable to change the rate of interest on the monthly minimum Balances. The only change, therefore is in the other rate. The Government of India New Loan bears a rate of 4% and I think a rate of 4½ per cent for yearly deposits in the Government Savings Bank order would be very fair. I wanted to work out the actual saving that would be effected by this reduction but I understand that any calculation of this type would be very laborious and would take about 3 days. ~~But~~ A reduction of this type would save Government about 40,000 Rs in Savings Bank Deposit only. It is not likely that the reduction of rate

Taking the discount it works to = 4½ only.

NOTE.— Contn. Sheet

Serial No

will as feared by the Comptroller lead to any diminution in their Balances since even the Post Office Cash Certificate rate is I understand reduced and the Government Savings Bank has the additional advantage of the money being practically held at call. I wrote to the Post Master, Bangalore, about three days ago to send me the revised rates and as yet no reply has been received. I am therefore unable to work out the rate in the case of annual deposits in Post Office Cash Certificates. In addition to the facilities in para 8. We may if necessary adopt also a similar procedure and issue Savings Certificates. There is a file on this subject and this will be worked up separately.

I think it works out to 4-a-6 for 4 years.

To sum up (1) we may do away with the half yearly minimum rate allowed on Savings Bank Deposits, (2) reduce the annual rate of interest to 4½ per cent on the yearly Balances (3) similarly reduce to 4½ per cent the interest on the Tumkur District Board Railway Cess Deposits, Shimoga Railway Loan Deposits and Chitaldrug Water Supply Loans, (4) Issue a notice that the interest on State Provident Fund, Railway Provident Fund perhaps Educational and Electrical also may be reduced to 5 per cent 6 months from this date.

The question of Endowment Funds, Insurance Fund will have to be taken up only after the period of two years for which the present rate of interest lapses.

The savings from all these may perhaps amount to nearly Rs 75,000 and perhaps even more.

B 17/2

7563

NOTE— Contn. Sheet

P.T.O.

WD 01264—GPB—40,000—17-12-26

Serial No.

In view of the flotation of the Government of India 4 per cent loan and the downward grade of the money market, the question of revising the rates of interest on our unfunded debt balances requires to be considered.

E

I have got a statement prepared showing the net yield from the several Government securities India - ~~Mysore~~ - as per latest quotations.

The Government of India 4 per cent loan which was oversubscribed in a few hours of opening sagged afterward. Recently it seems to be coming up to the issue price level. The latest quotation is 88-8-0 premium.

The market conditions are still unsettled. Any how it may be broadly stated that Government of India securities do not on the whole yield a net return much higher than 4 per cent.

B

The Post Office Cash Certificate gives a return of .5 4 .0.0 ..if the amount is kept till maturity viz., 5 years, while the rate of interest on a yearly deposit works out to 4-0-6 ...

The present position in regard to the rate of interest payable on the several unfunded balances and the extent of commitments are explained in the Assistant Secretary's Note above.

The aggregate balance of interest bearing deposits on 30th June 1926 as per Comptroller's revised estimate was in round figures Rs. 251.78 lakhs distributed ~~ad~~ under. The ~~Budget Estimate of~~ interest expected to be ~~paid~~ payable on these ~~accounts~~ balances ~~is~~ Rs 10.61 Lakhs is included in this balance.

NOTE—Contn. Sheet

Serial No.

(a) Savings Bank Deposits. (Including deposits of Local & Other Public Funds(30.84)	139.46	
Railway Cess and other deposits of local bodies bearing 5 per cent Savings Bank rate of interest.	9.56	149.02
(b) State Life Insurance Funds.	78.78	78.78
(c) Provident Funds - State Railway & Military.	15.54	15.54
(d) Endowment Funds.	8.44	8.44
		251.78

Regarding the endowment funds the rate of 5 per cent has been sanctioned for a period of 2 years from 29th July 1925.

The State Life Insurance Fund balances on 1st July 1917, carry interest at 3½ per cent and as regards the later accretions, interest at 5 per cent is payable to end of current year. The question of revision of the rate of interest in these two cases will have to be taken up later.

As regards the other classes of deposits above referred to prompt action is possible in the matter of revision, though as regards Provident Fund balances, the reduced rate will have effect only after the expiry of 6 months notice.

In the case of Provident Fund Deposits, the question does not solely depend on the present or prospective value of money or on the rate of

NOTE—Contn. Sheet

Serial No.

interest at which Government can obtain funds outside or make their investments. Prior to 1917, the rate of interest on Provident Fund Balances was 4 per cent and when in that year, the rate of interest on Savings Bank was raised to 5 per cent, ~~The~~ pros and cons for enhancement of interest on Provident Fund balances was exhaustively discussed and the interest on these balances was raised to 5 per cent for a period of 5 years. / Following the action of the Government of India in enhancing the rate of interest on their Provident Fund Balances to 5½ per cent, we have also raised the rate likewise from 1st July 1920. This has afforded an encouragement to Provident Fund Depositors. The Government of India have not yet reduced the rate.

Contribution to Provident Fund is compulsory in the case of non-pensionable employees in several Government Departments. The total Provident Fund balance aggregates to less than Rs. 16 lakhs and reduction of interest by ½ per cent may result in a saving of only about Rs. 8,000. We may perhaps wait till it is known what action the Government of India propose to take in this matter.

The case of revision of interest on Savings Bank Deposits stands on a different footing. It is purely a business proposition. Though the Savings Bank is primarily intended as an Institution for encouraging thrift by offering

Serial No.

facilities for investment, it has been a good means for attracing Capital on easy terms for financing Capital Worksin the State. At the time when the interest on deposits was raised in 1917 in respect of balances remaining for 6 months and 1 year, it was considered to be temporary, as the market rate was expected to go down in 2 or 3 years.

The aftermath of the War, with financial stringency & tightness in the money market which followed in its train and the heavy borrowings of Government have not permitted ed of any reduction in the rate of interest on Savings Bank Deposits. The annual accretions to the Deposit Funds have enabled the Government to carry on the Ways & Means Operations without recourse to public borrowing during the last few years.

Whether a reduction in the Savings Bank rate of interest will materially affect our Resource Operations and if so to what extent requires consideration.

The Comptroller (Mr. Satyaraj Chetty) thinks that if we reduce the maximum rate of interest on Saving Bank by ½ per cent, we have to expect a reduction in balance to the extent of Rs. 5 to 10 lakhs. If this is all the result, we need not mind. It is however difficult to say what would be the exact effect of any such measure. The rate of interest realisation from deposits in Bank and Government Securities is a prime

Serial No.

factor for consideration.

I understand that the rate of interest in the Imperial and Mysore Banks is as under:-

Imperial Bank - For 12 months. 3½%

Mysore Bank - For 6 months. 4 %) For sums
do. 12 months. 5 %) not

exceeding Rs. 10,000/-. For larger sums the rates are settled by mutual agreement. The Mysore Bank would undoubtedly attract some deposits from the Treasury, if the rates allowed by the Bank happen to be higher than those of Government. The rate of interest on Fixed Deposits for 6 months and 1 years in Co-operative Societies is more attractive. But it is not likely if any large amount of deposits would flow into these Banks.

In view of the several advantages which an investment in the Savings Bank offers and the present tendency of the money market, the time appears to be ~~xppxx~~ opportune in any case for a revision in the rate which would result in a considerable saving of expenditure ~~viz., ½ to ¾ lakh of rupees.~~

The call deposits in Savings Bank are large, amounting to about Rs. 149 lakhs of which about 40 lakhs of rupees are fund deposits. Though 50 per cent of the Call Deposits require to be invested as financial provision, the actual investment is far short of the required amount. According to the Ways & Means Estimate of the current year, the whole of the net receipts of

Serial No.

Rs. 23 lakhs anticipated from the Savings Bank is proposed to be utilised for Treasury purposes and no portion of it will be available for investment.

We have a heavy programme of Irrigation Capital Expenditure in view. ~~xxxxx~~ Our Capital resources require to be conserved. In view of all these considerations, it is desirable that simultaneously with the reduction of the interest in Savings Bank, we ~~may~~ think of funding as much of the Savings Bank Deposits as possible by offering a suitable conversion loan. What ~~xxxx~~ should be offered is a matter for careful consideration. The response to the proposed conversion loan will be of some help in formulating our proposals for the conversion of the short-term 7 per cent loan in due course. It would be of some interest to refer in this connection to Mr. Datta's opinion recorded in 1917 that "whenever the State feels that the rate of interest can be reduced even by ½ per cent, the depositors in the Savings Bank should be given the option of converting these deposits to fixed term debentures at a reasonable rate of interest as was done in 1906."

Under present conditions, we may safely count upon the success of a ~~tax free~~ loan of 5 per cent tax free issued ~~for~~ with a fairly long period of currency. We may however try a 5 per cent rate subject to tax for our funding and future conversion operations for new money.

NOTE—Contn. Sheet

Serial No.

A suitable discount may be offered according to the circumstances of the case to ensure the success of our operations. It may ~~however~~ be pointed out that our 5½ per cent (1929-47) loan is quoted at about Rs. 95/-. ~~It is~~ It is not a popular scrip ~~mainly because no conversion privilege to any of the later loans issued free of tax has been given.~~ It is bound to rise in value in due course. I think a 5 per cent loan subject to tax issued at Rs. 97/- for a period of 20 to 30 years may be offered for the Savings Bank Depositors. It will yield a net return of Rs. 4-14-0 per cent and has ~~a~~ chance of success.

The following suggestions may be considered

(1) The minimum rate of 3 1/8 per cent needs no change. It is very convenient for calculation and is ~~xxxx~~ moderate. This rate has been in force for a long series of years irrespective of market fluctuations.

(2) The intermediate rate of 4 per cent on deposits remaining in the Treasury for 6 months may be abolished. As pointed out by the Comptroller, to have 3 rates for calculation of interest involves a good deal of labour and the special reason for introducing this arrangement in 1917 with a view to offer various kinds of facilities to attract deposits no longer exist.

(3) The rate of interest on deposits remaining for a period of 12 months or whole

Serial No.

financial year may be reduced from 5 to 4½ per cent until further orders. The question of further reduction to 4 per cent may be kept in view.

(4) This rate of 4½ per cent will also apply to the Railway Cess and other Deposits of local bodies bearing interest at Savings Bank Rate.

(5) The proposals will result in a saving of Rs. 9 crores as per calculation sheet attached. This is a very rough estimate. Reduction of three-fourths of a lakh may safely be counted upon—

(6) A conversion loan of 5 per cent. subject to tax payable in 20 to 30 years, the issue price being Rs. 97/- may be offered to Savings Bank Depositors, simultaneously with the announcement in the change in the rate of interest on Savings Bank Deposits.]

2nd number) K 14.7.26 15

OFFICE OF THE SECOND MEMBER OF COUNCIL
16 JULY 1926
No. 346

The proposals in regard to reduction of rate of interest made above are well considered and I think they can all be adopted.

Savings Bank Deposits

The 6 months rate of 4 p.c. may go. The yearly rate of 5 p.c. may be reduced to 4½ p.c. The only point for consideration is whether there would be heavy withdrawals for investments in fixed deposits in Mysore Bank which now offers

FINANCIAL SECRETARY
23 JULY 1926
No. 65

5 p.c. for deposits fixed for one year. I do not expect large Withdrawals. The higher rate allowed for Savings Bank deposits is on amounts which remain with Govt for one year and not on amounts fixed for one year, as in the case of Bank deposits. It is a great convenience to have one's money at call and in view of it, depositors would prefer to leave their money in the Govt Savings Bank and not Withdraw it for investment in the Mysore Bank. The Bank itself may not allow 5 p.c. for one year deposits when the Govt rate is reduced - Even the rate of 4½ p.c. may appear a little too high for Savings Bank deposits, but it may be allowed for some time longer for two reasons: 1. the investment habit has to be encouraged and to most people, especially those in rural parts, investment in Govt Savings Bank is the only safe means of keeping their Savings. and (2) as pointed out by the Financial Secy We have so far depended, and have to depend hereafter, on Savings Bank deposits for financing a large part of our annual Capital programmes.

The monthly rate of 3½ p.c. may remain unchanged.

5 p.c. for deposits fixed for one year. I do not expect large Withdrawals. The higher rate allowed for Savings Bank deposits is on amounts which remain with Govt for one year and not on amounts fixed for one year, as in the case of Bank deposits. It is a great convenience to have one's money at call and in view of it, depositors would prefer to leave their money in the Govt Savings Bank and not Withdraw it for investment in the Mysore Bank. The Bank itself may not allow 5 p.c. for one year deposits When the Govt rate is reduced - Even the rate of 4½ p.c. may appear a little too high for Savings Bank deposits, but it may be allowed for some time longer for two reasons: 1. the investment habit has to be encouraged and to most people, especially those in rural parts, investment in Govt Savings Bank is the only Safe means of keeping their Savings. and (2) as pointed out by the Financial Secy We have so far depended, and have to depend hereafter on Savings Bank deposits for financing a large part of our annual Capital programmes.

The monthly rate of 3½ p.c. may remain unchanged.

213

General and Revenue Secretariat.

File No. of 19 . 16

Serial No

DEWAN'S OFFICE.
Received on
26. JUL. 1926
Reg. No. 5800

Railway Fees and other deposits

Interest on these deposits is regulated by the Savings Bank rate and any reduction made in the latter will apply to them.

Endowment and Insurance Funds

5 p.c has been promised in the case of these funds until about July 1927. and it can not therefore be reduced now. The question of lowering this rate to the new Savings Bank interest level of 4½ p.c. may be taken up for consideration in December next.

Provident Funds

5½ p.c. which is now allowed on these funds can, I think, be reduced. Govt of India may still be allowing this rate on their Provident funds. I do not think we need wait until they reduce their rate. Even Six months notice has to be given for reducing this interest rate and we may give this notice at once and say that it will be reduced to 5 p.c after the period of notice expires.

Conversion of Savings Bank deposits into a long term debt.

The consideration of this question may be deferred as it requires some more study.

The reduction in the Savings Bank rate may be made from 1st Sept 26

(Dewan) The case may be ordered to be submitted by circulation. 23/7/26

PENANG SECRETARIAT
26 JUL 1926
No. 84

NOTE—Contn. Sheet

213

General and Revenue Secretariat. | File No. | of 19 .

17

Serial No

I agree with the Member

JM

28.7.26

To clinging in the compliments

26/7/26

1st Member

28/7/26

I agree, provided that in the case of optional deposits in the Provident Funds, viz Endowment the depositors shd have the option of being repaid their deposits when interest reduced.

28/7/26.

In favour of a Paid Member

28/7

His Ex. now proposes to reduce the rate of interest on endowment funds and in the case of those funds which have not been promised any rate in perpetuity, other investments are permissible.

As regards Provident funds it is not open to optional subscribers to withdraw their deposits when the interest rate is reduced. Power to alter rates is reserved & Govt vide Rule 5 and even optional Subscribers cannot withdraw their balances Vide Rules 4 + 4(3) but they can discontinue their further Subscription. Vide Rule 4 & Finl 29.7.26

OFFICE OF THE FIRST MEMBER OF COUNCIL 28 JULY 1926 No. 1061

OFFICE OF THE SECOND MEMBER OF COUNCIL 28 JULY 1926 No. 662

OFFICE OF THE FIRST MEMBER OF COUNCIL 30 JULY 1926 No. 1196

FINANCIAL SECRETARY 30 JULY 1926 No. 109

I agree 30/7

NOTE—Contn. Sheet

First member

cy S. Jm

Finance

28/7 with compts

General and Revenue Secretariat

File No. 313

WD 01264—GPB—40,000—17-12-25
[App. F. III—2

of 192 .

18

Serial No

FINANCIAL SECRETARY
3 AUG. 1926
No.

OFFICE OF THE SECOND MEMBER OF COUNCIL,
4 AUG. 1926
No. 665

DEWAN'S OFFICE.
Received on
7. AUG. 1926
Reg. No. 975

Fin & Pol

2/8/26

B
2/8

Fin & Pol) Joint proposal note dispatched

2nd Member) h
3/8.

Mull
4-8-26

Dewan) With D. S. N
h
6.8.26.

NOTE—Contn. Sheet

Submitted to His Highness.

I submit herewith a Final Note by the...Second.... *Member of Council on the subject of*...reducing the.... rates of interest allowed on the Savings Bank, Provident Fund, and other interest bearing deposits, *for His Highness' gracious approval.*

Bangalore,)
)
7th August 1926.)

Mirza M. Ismail

Final Note by the Second Member of Council.

Subject:—

Reduction of the rates of interest allowed on the Savings Bank, Provident Fund, and other interest bearing deposits.

In view of the floatation of the recent loan of the Government of India at 4 per cent. (subject to tax) issued at Rs 88 and the downward tendency of the value of money, the Financial Secretary was asked to put up a note reviewing the existing position in respect of rates of interest ~~now~~ allowed on the Savings Bank and other interest bearing deposits with Government, with a view to action being taken to reduce the rates of interest.

2. The following are the several interest-bearing-deposits:-

Description of Deposit.	Rates of interest.	Currency of sanction.
1. Savings Bank.	3 1/8 % on call deposits.	
	4 % on deposits remaining for six months.	Until further orders.
	5 % on deposits remaining for one year.	
2. General, Railway, Military and other Provident Funds.	5½ %	Until further orders subject to revision on six months' notice
3. State Life Insurance Funds.	3½ % on balances accumulated up to 1st July 1917.	Till the end of current year.
	5 % on additions.	
4. Other Interest bearing Deposits.		
Tumkur District Board Railway Cess Deposit.	5 % on half yearly opening balances, and 2½ % on the collections.	Until further orders.
Deposits of.-		
Shimoga District Board Railway cess.	5 %	Until further orders.
Chitaldrug Municipal Water Supply loans.		

Description of Deposit.	Rates of interest.	Currency of sanction.
5. Endowment Funds.	5 % in respect of those the interest on which is not provided in proper trusts.	Two years from 29th July 1925.

3. In the note put up by him, the Financial Secretary has pointed out that a general reduction of interest on all interest bearing deposits is justifiable in view of the present and prospective conditions of the money market and that action may be taken for reducing the rate of interest on Savings Bank Deposits and Provident Fund balances and that as regards Endowment Fund balances and State Life Insurance Funds, immediate action is not possible as the sanctions relating to them continue until July 1927.

4. He has made the following suggestions regarding the revision of interest on Savings Bank Deposits:-

(1) The minimum rate of 3 1/8 per cent. on call deposits needs no change.

(2) The rate of 4 per cent. on deposits remaining in the Treasury for six months may be abolished. To have three rates for calculation of interest involves a good deal of labour and the special reasons for introducing this arrangement in 1917 with a view to offer various kinds of facilities to attract deposits no longer exist.

(3) The rate of interest on deposits remaining for a period of twelve months or a whole financial year may be reduced from 5 to 4½ per cent. until further orders. The question of further reduction to 4 per cent. may be kept in view.

(4) This rate of 4½ per cent. will also apply to the Railway Cess and other Deposits of Local Bodies bearing interest at the maximum Savings Bank rate.

(5) On a very rough estimate, reduction in expenditure of about three-fourths of a lakh of rupees may be counted upon, if the above proposals are approved.

(6) A conversion loan of 5 per cent. subject to tax, payable in 20 to 30 years, the issue price being Rs 97, may be offered to Savings Bank Depositors, simultaneously with the announcement in the change in the rate of interest on Savings Bank Deposits.

Regarding the Provident Fund balances, the Financial Secretary has proposed that we might perhaps defer action till the Government of India revise their rate which is the same

as ours.

5. I expressed the following views on the proposals of the Financial Secretary:-

Savings Bank Deposits.- The six months' rate of 4 per cent. may go. The yearly rate of 5 per cent. may be reduced to 4½ per cent. The only point for consideration is whether there would be heavy withdrawals for investments in fixed deposits in Mysore Bank which now offers 5 per cent. for deposits fixed for one year. I do not expect large withdrawals. The higher rate allowed for Savings Bank Deposits is on amounts which remain with Government for one year and not on amounts fixed for one year as in the case of Bank Deposits. It is a great convenience to have one's money at call and in view of it, depositors would prefer to leave their money in the Government Savings Bank and not withdraw it for investment in the Mysore Bank. The Bank itself may not allow 5 per cent. for one year deposits when the Government rate is reduced. Even the rate of 4½ per cent. may appear a little too high for Savings Bank Deposits, but it may be allowed for some time longer for two reasons: (i) the investment habit has to be encouraged and to most people, especially those in rural parts, investment in Government Savings Bank is the only safe means of keeping their savings, and, (ii) as pointed out by the Financial Secretary we have so far depended and have to depend hereafter on Savings Bank Deposits for financing a large part of our annual capital programmes.

The monthly rate of 3 1/8 per cent. may remain unchanged.

Railway Cess and other Deposits.- Interest on these deposits is regulated by the Savings Bank rate and any reduction made in the latter will apply to them.

Endowment and Insurance Funds.- Five per cent. has been promised in the case of these Funds until about July

July 1927 and it cannot therefore be reduced now. The question of lowering this rate to the new Savings Bank interest level of 4½ per cent. may be taken up for consideration in December next.

Provident Funds.- Five and a half per cent. which is now allowed on these Funds can, I think, be reduced. Government of India may still be allowing this rate on their Provident Funds. I do not think we need wait until they reduce their rate. Six months notice has to be given for reducing this interest rate and we may give this notice at once and say tnat it will be reduced to 5 per cent. after the period of notice expires.

Conversion of Savings Bank Deposits into a long-term Debt.- The consideration of this question may be deferred as it requires some more study.

The reduction in the Savings Bank rate may be made from 1st September 1926.

6. The Dewan and the First Member of Council agree with me and the proposals may be graciously approved.

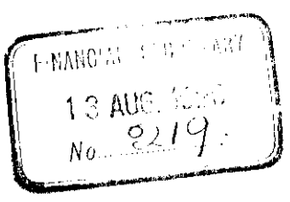
M N Venkatachar

Bangalore,
6th August 1926.

Member of Council.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.



Reduction of the rates of interest allowed on the Savings Bank, Provident Fund and other interest bearing deposits.

165

Order.

KRW
11/8/21

Checked
12/8/21

Finl Secy
14/8

C 76

General and Revenue Secretariat

SUBJECT

Reduction of the rate of interest allowed on Saving Bank Provident Fund and other interest bearing deposits.

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circlated to the Members of Council at headquaters and then sent to the Secretariat concerned for the issue of orders.

Circulated to Members of Council for perusal of His Highness' orders before /after issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

By Order,

Chief Secretary to Government.

Through the Secretary to Government,

.....Department.

FIRST MEMBER OF COUNCIL. (Seen)

SECOND MEMBER OF COUNCIL. Please issue orders
Parsons
(2/8/26

~~EXTRA MEMBER OF COUNCIL.~~

1131/1218

NOTE - Contn. sheet.

General and Revenue Secretariat. | File No. | of 19 .

Serial No.

Rec'd 14/8

c/s. Finance

Mem. for the 2nd draft:

The margin is one inch top and bottom and the type identical to the 2nd memo.

h
18/8/26.

Fill up The ~~Q.P.A.~~ blank & submit today

~~Mr Abbas Sahib Qadeem~~

B
14/8

Attended to & Returned.

Dr 14/8 HMK
14826.

Dft for perusal before issue

B
2nd Memb

Mch
16.8.26

Issue today

h
12.8

OFFICE OF THE SECOND MEMBER OF COUNCIL.
10 AUG 1926
No. 1267

252

Subd. The Notifications were signed on the 11th instant requiring under the Patents Act, 1911, that any one objecting might lodge his objection within 3 months from the date of publication in the Gazette. Since the draft was put up in the Personal Staff, I forgot to see the subscription (by oversight) A draft to the Comptroller is submitted. There does not appear to be any Statutory provision for publication in the Gazette

SK 17/8

NOTE—Contn. Sheet

WD 01264—GPB—40,000—17-12-25

General and Revenue Secretariat

G.7 File No. 48

[App. F. III—2

of 1926.

Serial No

Successive issues of the Gazette. No further action appears to be called for. Filed for orders.

HK 1926.

I agree with the Report

By 7/9/8

7/88

I think it is better to proceed in the succeeding issue.

I think also an omission of the word in may be noted

by 7/9/8

Some opp in file

By

NOTE—Contn. Sheet

2-6 45-26-1

NOTIFICATION.

Yl 1337 dated 17/8/26

The Government of His Highness the Maharaja are pleased to direct that with effect from 1st September 1926 and until further orders, the following rates of interest be allowed on deposits in the Mysore Savings Bank:-

(1) 3 1/8 per cent per annum as at present on all current deposits which remain in the Savings Bank for less than a year.

(2) 4½ per cent per annum on deposits which are kept for a whole financial year.

Notification No. Fl.6005/G.F.232-16-1 dated 2-4-1917 will be cancelled from 1-9-1926.

By Order,

13.8.26

Financial Secretary to Govt.

To

The Compiler, Mysore Gazette, for publication in the Gazette.

Yl 1338/ dated 17/8.

Copy to the Compiler for information.
Interest on deposits which remain for a short period
4-26-27 - with the rate calculated at 3 1/8 per annum during the months
& at 4½ per annum from 1st Sept. 26

NOTIFICATION.

In exercise of the power reserved under Rule 5 of the State Provident Fund Rules, Government of His Highness the Maharaja of Mysore are pleased to direct that after the expiry of six months from 1st September 1926 i.e., from 1st March 1927, the rate of interest on subscriptions to the State Provident Fund be reduced from 5½ per cent to 5 per cent per annum.

This order will apply to all other Government funds, the subscriptions to which now carry 5½ per cent per annum.

By Order,

Financial Secretary to Govt.

To

The Compiler, Mysore Gazette, for publication in the Gazette.

Proceedings of the Government of
H.H. the Maharaja of Mysore.

*****

Read:-

Notification No. ~~F.~~ 1337 ~~277~~ F. 48-26 dated 17.8.26 fixing the maximum rates of interest on deposits which remain in the treasury not less than for ~~more than~~ a year, at 4½ p.a. with effect from 1st September 1926.

Order No.

Dated, Bangalore,.....1926.

Government are pleased to direct that the interest on Ry cos and other deposits of Local Bodies which now carry a rate of interest at 5 per cent be reduced to 4½ per cent with effect from 1st September 1926.

13.8.26
Financial Secretary to Govt.

To

The Comptroller to Government.
" Presidents of District Boards.

APP. F. VI. Gl.]

SUBJECT.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat
( )
the *192*

Date of issue.....2.1.8.1.26.....

Signed by.....J.M.B.S.B.....

~~Memo is a typist.~~

~~Mr~~

List of enclosures.....

Copied by.....

Examined by.....

Section

File No.

Serial No

No. H 1590/Ge 1

To

The Comptroller
Mysore Bangalore

Sir,

Please see Gene. Notification
Nos Fe 1337 & 1339 dt 17.8.26,
regarding revised rate of interest
on the Savings Bank & Provident
Fund deposits. I am to request
that the Notification may be
published in 3 successive issues
of the Gazette ~~including the issue~~
~~dt 15th~~.

In para 2 of the Notn of the 2nd
Notn the word "Residents" may
also be added in Tamil - Revised
Notn for publication is
attached

over